

Minutes

Special Audit and Compliance Committee Virtual Meeting

UWF Board of Trustees

UWF Alumni Room, Bldg. 12

August 5, 2020

BOT Audit and Compliance Committee Chair Bob Jones called the meeting to order at 3:00 p.m.

Committee Members Trustees Dick Baker and Bob Sires joined the meeting virtually.

BOT Chair Dave Cleveland, Vice Chair Suzanne Lewis and Trustees Lewis Bear, Jr., Greg Britton, Jordan Negron, Sherry Schneider, Jill Singer, Alonzie Scott and Stephanie White were present.

Others in attendance:

Mr. Chuck Landers, Saltmarsh, Cleaveland and Gund, CPA Shareholder; Ms. Allison Jones, Saltmarsh, Cleaveland and Gund, CPA Audit Services; Mr. Philip DeBoer, Saltmarsh, Cleaveland and Gund, CPA Audit Services; President Martha D. Saunders; Ms. Betsy Bowers, VP, Finance & Administration; Ms. Pam Langham, General Counsel; Dr. Ed Ranelli, AVP and CEO, BEI; Ms. Megan Gonzalez, AVP, Institutional Communications; Ms. Cindy Talbert, AVP, Internal Auditing & Management Consulting; Mr. Jeffrey Djerlek, University Controller; Ms. Brittany Sherwood, Institutional Communications.

### **CHAIR'S GREETING**

Chair Jones welcomed everyone attendance and extended a special welcome to the State University System of Florida Chancellor Marshall M. Criser.

Chair Jones announced that there was only one information item on the agenda, Results of Agreed-Upon Procedures by Saltmarsh, Cleaveland & Gund, CPAs and Consultant s for the Complete Florida Plus Program.

Chair Jones invited Mr. Chuck Landers, Saltmarsh, Cleaveland & Gund, CAP Shareholder, to make a presentation on the report.

Mr. Landers reviewed the document with those present. He thanked the Board of Governors, the University of West Florida and the Board of Trustees for their assistance provided during the process and for the opportunity to present the report at the special meeting.

Following Mr. Landers' presentation, Chair Jones opened the floor for questions from the Committee. There were none.

Chair Jones then opened the floor for questions from the other Trustees present.

Following discussion and a question and answer session, Chair Jones asked Ms. Betsy Bowers, Vice President for Finance and Administration to provide the Committee with her observations of the report that was presented.

Ms. Bowers thanked Chair Jones and made the following comments: *UWF appreciates partnering with the Board of Governors on this engagement. We worked collaboratively with the Board of Governors to provide detailed information related to general ledger account balances, payroll, lease, travel, and equipment costs, along with job descriptions and personnel action sheets.*

*The University did not use any Complete Florida Plus Program funds nor any E&G monies to pay for the engagement. Therefore, no extra financial burden was placed upon the Program.*

*UWF agrees with the results of the report. We have learned a lot. Now that we finally have all the information it gives our Board of Trustees and the BOG the opportunity to evaluate the issues.*

*Financial oversight of the program, during that five-year period was decentralized, as are routine operations of the university. UWF's budget is decentralized to allow various units to operate with efficiency and effectiveness. Each vice president has a respective Division Budget Manager who is responsible for reporting budget changes to the Central Budget Office. The Central Budget Office generates monthly reports that reveal budget conditions and is the final*

*approval of budget transfers. Staff review budget adjustments and reports from division Budget Managers for reasonableness. We felt there were sufficient controls in place and in this situation, there were no concerns raised and no cause for alarm.*

*However, given the issues identified in this decentralized model, the University has taken the following steps to strengthen our internal controls related to financial reporting to external parties.*

*First, we created a special query called Budget Transfer Audit Trail that, as CFO, I can run at any moment to review any budget entries. I set a dollar threshold for the query and can see exactly where monies are being moved among accounts. I pay close attention to large dollar entries as well as particular funds or accounts. This is a routine procedure I perform and have reviewed all such entries for fiscal years 2018, 2019, and 2020. Other accounting senior leaders have this access as well.*

*Second, UWF implemented a policy FIN-11.01-04/20 "Financial Reporting," on April 3, 2020, that requires any financial reports to external parties must be reviewed and approved by me or my designee prior to distribution. The only exception to this specific requirement is the UWF Research Administration and Engagement reports provided to grantors and their funding agencies. The review by me or my designee is to ensure the University's financial reports provided to external parties are presented accurately and fairly in all material respects, and these statements are in conformity with all laws and regulations, GAAP and contractual agreements.*

*Finally, we are undertaking an internal self-assessment of our regulations, policies, and procedures to identify other opportunities to strengthen our controls.*

*Transparency for financial activity is my commitment to this university, our Board of Trustees, the Board of Governors, and all external parties.*

*We look forward to continuing to work with the Board of Governors on final resolutions related to the Complete Florida Plus Program and its future viability.*

Following Ms. Bowers' remarks, Chair Jones asked the Trustees if they had any questions of Ms. Bowers. There were none.

Chair Jones thanked Ms. Bowers for her report and asked General Counsel, Pam Langham , to provide her observations from a legal perspective.

General Counsel Langham stated she had no comment.

Chair Jones invited BOT Chair Dave Cleveland to make remarks.

BOT Chair Cleveland thanked Chair Jones for the opportunity and made the following remarks, *I do indeed have a few comments, not only in response to the report, but also in regard to some recommended next steps.*

*On one hand, a "bottom right-hand corner" conclusion (by an independent, third party accounting firm) indicating a \$1.6mm underpayment to UWF is an encouraging result of this in-depth review process. It does indicate to me that there was absence of malice and no ill intent, as the University attempted to draw Administrative Cost reimbursements in keeping with what was owed....and according to our interpretation of the statutory guidance.*

*That said, I understand that at the root of the issue is a basic, and significant, disagreement on the timing and appropriateness of the Carry Forward payments. It is that disagreement that needs to get resolved. That is the difference between the University paying \$2.4 million and the University being able to recoup a remaining underpayment of \$1.6 million. Needless to say, a huge swing in possible outcomes.*

*I am expecting to receive formal communication from the Board of Governors that confirms their continuing assertion that the \$2.4 million in Carry Forward Expenditures should be restored to the program. We will get all members of our Board a copy of that letter as soon as I receive it.*

*Given this and to keep the process moving forward, we need to spend our time over the next couple of weeks applying our resources to resolve this central issue, which, in my mind, is an honest disagreement in the interpretation of Administrative Cost reimbursements and the timing and manner in which they were to be paid. To the extent that those reimbursements were or were not done in a timely or properly documented manner, it may be determined that they need to be restored.*

*If that should occur, it's not to say that they were not originally drawn in good faith. They most definitely were drawn in good faith. It may just ultimately be determined that, due to differing interpretations of the appropriations statute, we may have to "agree to disagree" and move on.*

*In the end, it is my hope and desire that the integrity of this institution and its people be preserved. Good people were doing their job to the best of their ability in executing their understanding of an arcane reimbursement process. A process that was not clearly defined in the statute. That statutory ambiguity has led to the current disagreement and I recommend that we now work closely with the Board of Governors to resolve the disagreement and find a mutually agreeable solution.*

*So, I would say we need to let the process work. I would ask that our staff work closely with BOG staff over the next week or so, so that we can resolve the financial implications in a way, and just as importantly, on a timeline that will not unduly harm the University, but will nonetheless make things right.*

*I would further ask that staff develop a plan and timeline to be presented to this Committee for approval at its regularly scheduled meeting on August 20<sup>th</sup>. It is possible that components of that plan will also need to go before the Finance Committee that same day. With those committee approvals in hand, we would take a proposal to the Full Board on September 9<sup>th</sup>, so that we can get this matter resolved just as soon as possible.*

Chair Jones thanked BOT Chair Cleveland and then opened the meeting for questions from the Trustees.

## **ADJOURNMENT**

With no further business to discuss, Chair Jones adjourned the meeting 3:38 p.m.

Respectfully submitted,

Becky Luntsford, Assistant Corporate Secretary